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ABSTRACT

The health and dental self-insurance program instituted in the Waukegan (Illinois) Public Schools can credit three major factors for much of its success. First, claims are processed in-house by the district, resulting in improved communications about claim decisions, faster payments, and higher employee satisfaction. Second, the plan is coordinated by a governing board of five persons representing all employee groups. Third, the plan includes cost containment provisions (1) encouraging outpatient testing prior to surgery, (2) restricting weekend hospital admissions, (3) providing for review of large hospital bills by the employees served, (4) limiting payments for drug and alcohol treatment, (5) covering costs for physical examinations and diagnostics, and (6) paying for second opinions. (PGD)

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Self-Insurance (Waukegan Style)

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Paper presented at the Annual Meeting of the Illinois Association of School Business Officials (Bloomingdale, IL, 35th, April 30-May 2, 1986).

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Self-Insurance (Waukegan Style)

The concept of self-insuring employees for health and/or dental insurance is certainly not a recent cost containment option for school districts. Large districts have had self-insurance or co-insurance programs in existence for many years and only recently have districts of medium size or smaller joined the search for containment of health insurance costs for their employees. With the advent of self-insurance cooperatives, small districts have been able to secure the benefits of self-insurance that larger districts with larger numbers of employees have enjoyed for years.

The Waukegan Public Schools Employees Benefit Plan is one year old, having started operations in September 1983. A thorough study of all health insurance options was started in 1982 and after eighteen months of study and analysis the decision to go the self-insurance route was made. All facets of the self-insurance plan were made operational, including in-house claims processing by September 1983. As in most self-insurance programs Waukegan Public School's program has its own specific insurance protection ($50,000 per individual) and aggregate insurance protection ($1,380,000 for all district claims). What probably makes the Plan somewhat unique are three factors so important to the Plan's success: a) In-house district claims processing for all dental and health insurance claims, and b) a governing board made up of employees representing the various employee groups or unions in the district, and c) cost containment provisions in the plan. A thorough discussion of each contributing factor may be warranted to more easily understand the dynamics of the benefit plan.

In-house claims processing

There is no single complaint heard more from employees covered under a commercial insurance company or some self-insurance plans than the difficulty in getting information on a specific claim payment. Numerous calls back and forth with an insurance company or the company's representative sometimes result in a satisfactory answer. Here in Waukegan we have side-stepped these problems and corresponding time delays by having all claims processed in the business office with a full time claims administrator handling day-to-day claim adjudications. The processing is accomplished through a computer hook-up with an independent third party claims administrator. This procedure has been found to be both satisfactory to our employees and further meets all requirements of the underwriters who carry our specific and aggregate insurance coverages. Under this procedure we are processing about 1,190 claims per month which result in writing about 509 checks per month to employees, hospitals and/or providers of services. These checks represent an average monthly payout in claims of $114,725. Even with these numbers of checks and claims precessed each month we have obtained our objective of claims payment within thirty (30) days of receipt of invoice and in fact have the lag time from receipt of invoice to mailing of payment down to about twelve (12) working days. This compares with 4-6 weeks in claim payment delay experienced with our previous carrier.

Probably the greatest benefit derived by in-house claims processing is the employee reaction to being able to solve claims or payment problems almost immediately, either over the phone or in person at the business office. Our employees can be assured,

almost immediately, of an explanation on a payment or estimates of payments for a particular procedure claim to be performed. The Plan has also incorporated an appeal process of four levels for employees who feel that the payment(s) made was/were not made in accordance to the Plan booklet. During the first year of operation none of the 1,200 or so employees have appealed a claim payment past level 3 (the Plan Administrator) in the process and the high majority of appeals or questions are handled at the claims coordinator's level. In-house claims processing for Waukegan seems to benefit the district both financially and from an employee relations standpoint.

Plan Governing Board

The benefit plan is coordinated by a Plan Board composed of five (5) persons of the district representing all employee groups. The members of the Plan Board represent the teacher union, non-teaching employees, the Board of Education, middle administration, with its chairperson being the present Associate Superintendent for Business Affairs for the district. This Plan Board meets quarterly or more frequently, if necessary, to review the business of the benefit plan. At these meetings, the board establishes policies to work under and approves amendments to the Articles of Agreement which the Plan Board approved. It should be noted that even though the Plan Board sets rates on a yearly basis and makes changes in the Plan's coverages this board does not involve itself with negotiations or with what portions of the premiums are paid for by the employee or the employer. The Plan Board simply bills the district monthly and receives the necessary funds from the district and from payroll deductions to meet the monthly premium.

Cost Containment Provisions

Cost containment in the health care field has been of paramount importance to insurance companies, school management, and employees over the past five (5) years. Health care costs have escalated so rapidly that management and labor together must establish a joint proclamation to attempt to contain costs at every possible point within the health care program. To do nothing with cost containment would certainly result in the Boards of Education throughout the country simply finding themselves unable to provide the funds necessary to support their health insurance programs. Private industry is far ahead of the public sector in health cost containment. The aim of the Waukegan Benefit Plan Board is to minimize annual fluctuations in employee benfits costs and to establish an uniform benefit program to achieve reduced costs of administration by providing service to the district's employees. The cost containment provisions listed below should not dramatically effect the employees of the district. These cost containment factors are certainly not unique to the Waukegan School District but in totality the present plan benefit program is well positioned to contain costs in the future.

1. Pre admission testing

The Plan will pay 100% of reasonable and customary charges if testing is done as an outpatient prior to surgery. This benefit change is an enhancement above the 80% payment prior to self-insurance.

2. Weekend hospital admissions

The Plan will not pay for non-emergency weekend hospital admissions when surgery is to be performed the next day. Hospital costs now account for 75% of all payouts by insurance companies and to avoid the

hospital is to avoid high costs to any plan.

3. Hospital bill review

Hospital bills exceeding $2,000 will be referred to the patient or employee (if a minor is involved) for review. If errors are found, the person finding them will receive 25% of the savings up to a maximum of $500 per hospital stay.

4. Drug and alcohol maximum

A maximum lifetime limit of $25,000 for drug and alcohol treatment is now in effect. Prior to this change there was no limit on such disorders.

5. Added first dollar benefits

The first $100 per calendar year of diagnostics as an outpatient will be paid at 100% of reasonable and customary charges. Presently the plan paid only 80% of costs. Further, the plan will start paying for routine physical exams up to $50 every two (2) years. Routine physicals were never paid prior to this year and this plan enchancement should pay dividends in the future by early detection and treatment of potentially high claim conditions.

6. Second opinion surgery

The Plan recommends (not requires) second opinions on specific surgical procedures and will pay up to $100 for the second opinion. This cost containment measure is now widely practiced and accepted by both insurance companies and employees alike.

To conclude, self-insurance programs are not for everyone or every school district. However, a well thought out plan, one concerned with assisting the employees in the claims process and still concern itself with cost containment, can be put together into a

workable program to benefit all. Waukegan School District is at the cutting edge of the self-insurance business with progressive state of the arts claims processing procedures, cost containment provisions and Plan benefit enhancements. It is felt that the forward planning and preparation that went into the formation of the Employee Benefit Plan has also now allowed for a successful ongoing benefit plan for all Waukegan School District employees.

Submitted by Dr. Ken Falkinham

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